2018 CORPORATE GOVERNANCE STATEMENT

Austin Engineering Limited

Austin Engineering Limited (the Company) and its Board of Directors support high standards of corporate governance to enhance the Company's sustainable long-term performance and value creation for all stakeholders. The Company's constitution provides that the business and affairs of the Company are to be managed by or under the direction of the Board.

The following statement provides an overview of the Company's governance practices and reports against the ASX Corporate Governance Principles and Recommendations (ASX Principles). The Company's corporate governance practices were in place for the entire year and comply with the ASX Principles unless otherwise stated.

The Company's corporate governance practices are reviewed regularly and will continue to be developed and refined to meet the needs of the Company and taking account of best practice.

1 Lay Solid Foundations for Management and Oversight

The role of the Board

1.1 The Board's primary role is the decision making body of the Company and is responsible to the stakeholders for all aspects of its operations. The Board assesses all aspects of the management of the Company, ensuring there are appropriate skills and experience to adequately manage performance and that there are proper, adequate and effective internal controls in place.

1.2 The Board has identified the key functions that it has reserved for itself, that are set out in the Board Charter. A copy is available on the Company's website.

1.3 The responsibilities of the Board include:

Corporate governance

a) oversight of the Company, including its corporate governance, control and accountability systems;

b) ratifying and reviewing systems of risk management and internal compliance and controls, codes of conduct, and legal compliance (including compliance with ASX listing rules)

Oversight of management

c) appointing, reviewing the performance of, and removing the Managing Director/Chief Executive Officer

d) ratifying the appointment of the Chief Financial Officer

e) appointing, reviewing the performance of, and removing the Company Secretary

f) monitoring senior management's performance and implementation of strategy, and ensuring proper resources are available

Strategic direction

g) input into and final approval of the Company's corporate strategy, business plan and performance objectives

h) approving and monitoring the progress of major capital expenditure, capital management, and acquisition and divestitures

Financial reporting

i) approving and monitoring financial and other reporting

Board performance

j) regularly review the skills and experience of the Company's current Directors and to review the skills and experience relevant to the operation of the Company

Risk management

k) ensuring the risks under which the Company operates are adequately identified, analysed and appropriate mitigation and management strategies are developed, implemented and their effectiveness monitored

l) ensuring the Company has in place effective systems for the identification, assessment and monitoring of the Company's compliance with the laws and regulations that govern its operations

Remuneration

m) developing remuneration policies and ensuring remuneration levels and structure comply with those policies and are reported to stakeholders as required by law and best practice

1.4 The Board has established Committees to assist in carrying out its responsibilities and to review certain issues and functions in detail. The Board Committees are discussed at '2' below.

1.5 All Directors and senior managers are appointed through a written agreement with the Company that sets out their duties, rights and responsibilities.

1.6 The Company Secretary is accountable to the Board through the Chair on all matters to do with the proper functioning of the Board. The Board Charter confirms that all Directors have access to the Company Secretary

1.7 The Company Secretary is responsible for:

a) advising the Board on corporate governance matters

b) managing the company's secretarial function

c) attending all Board and Committee meetings

d) taking minutes and communicating with the ASX

1.8 The name, skill, experience and qualifications of the Company Secretary is set out in the Directors' Report.

Delegations to management

1.9 The Board has delegated responsibility for implementing the Company's strategy approved by the Board and for the day-to-day management and administration of the Company to the Managing Director supported by the senior management team.

1.10 To assist management in its understanding of the matters that are reserved for the Board and the matters that have been delegated to Management, the Board has established a Delegation of Authority statement.

1.11 Management reports to the Board at regular Board meetings, providing updates on performance, initiatives and issues in a form, timeframe and quality that will enable the Board to discharge its duties effectively.

Executive performance assessment

1.12 The Board approves criteria for assessing performance of the Managing Director and other senior managers and monitoring and evaluating their performance.

1.13 The Nomination and Remuneration Committee is responsible to the Board for ensuring appropriate remuneration of all officers and senior managers of the Company, having regard to performance and level of similar officers in like companies and industries, listing rules, legislation, regulatory body and other government body.

1.14 On an annual basis, the Nomination and Remuneration Committee reviews the performance of the Managing Director against qualitative and quantitative criteria, including profit performance, other financial measures and achievement of the Company's strategic objectives.

1.15 The Company maintains a performance evaluation process that measures other senior managers against agreed key performance indicators.

2 Structure the Board to add value

Board composition

2.1 The Company's Board is comprised of Directors with diverse yet complimentary skills and experience, ensuring it has a proper understanding of, and competence to deal with, the current and emerging issues of the business, enabling appropriate and effective oversight to enhance performance.

2.2 The Board is comprised of four Directors (the Company constitution provides for a minimum of three Directors), that the Board believes to be an appropriate size to discharge its duties as well as be conducive to effective discussion and efficient decision making.

2.3 Three of the Company's four Directors are non-executive and independent Directors, including the Chairman, with one executive Director. This structure ensures the Board can effectively review and challenge the performance of management and exercise good independent judgement.

2.4 The Chairman is elected by the Board and is responsible for leading the Board, ensuring Directors are properly briefed in all matters relevant to their roles and responsibilities, facilitating Board discussions and managing the Boards relationship with the Company's senior managers, including the Managing Director.

2.5 All Directors, with the exception of the Managing Director, are subject to retirement by rotation but may stand for re-election by the shareholders every three years.

2.6 Details for each Director of the Company, including details of skills, experience and expertise are set out in the Director's report.

Director independence

2.7 A Director is considered independent from the Company if he or she has no business or other relationship which could materially interfere with, or could reasonably be perceived to materially interfere with, the independent exercise of their judgement.

2.8 The Board requires each Director to disclose any new information, matter or relationship that could, or could reasonably be perceived to, impact the Director's independence, as soon as these come to light. The Directors consider this matter during each Board meeting as a standing agenda item.

2.9 The Board considers that all of its non-executive Directors are independent Directors who have exercised their judgement and discharged their responsibilities in an independent manner.

2.10 The Board also has procedures in place to ensure it operates independently of management. Non-executive Directors meet together periodically in the absence of the executive Director and other senior managers of the Company, to discuss the operation of the Board and a range of other matters.

Board access to information and advice

2.11 Directors and Board Committees have the right to seek independent professional advice at the Company's expense to assist them to discharge their duties. The Chairman's prior approval is required and it may not be unreasonably withheld.

2.12 All Directors have access to the Company Secretary, who supports the effectiveness of the Board and is accountable to the Board on all governance matters. The appointment and removal of the Company Secretary is a matter for approval by the Board.

Board skills

2.13 The Board is responsible for the overall operation and stewardship of the Company and, in particular for the long-term growth and profitability of the Company. The Board is focused on maintaining a Director membership with diverse yet complimentary skills and experience that enables it to appropriately and effectively oversee the execution of the Company's policies, strategies and financial objectives.

2.14 The Board regularly evaluates the mix of skills, experience and diversity at the Board level to be effective in supporting and enabling delivery of good governance for the Company and value for shareholders.

2.15 The Directors of the Company have identified the following skills and experience comprised in the current Board, and that the Board will continue to maintain and build on, including:

a) Related industry experience (mining services industry sector)

b) Corporate strategy (setting and reviewing organisational strategy, organic growth and merger and acquisition opportunities)

c) Health and safety (implementing workplace health and safety measures, proactive identification and prevention of health and safety risks)

d) Financial acumen (knowledge of accounting and reporting processes, financial and capital management strategies and corporate finance issues)

e) Leadership (driving engagement and enablement, strategic workforce planning and leading organisational change)

f) Remuneration (executive scorecard setting, incentive arrangements and executive remuneration)

2.16 The Board aspires to have a Board comprised of individuals with diverse experience and expertise and takes these requirements into account when making Director appointments.

2.17 The Board, in performing its responsibilities, endeavours to serve the interests of shareholders, employees, clients and the broader community. The Board regards itself as carrying all the appropriate aspects required for fulfilling its Director duties, overseeing the performance of senior managers and the execution of the Company's long term strategy.

Selection, appointment and re-election of Directors

2.18 When it is assessed that a new Director should be appointed to the Board, as an outcome from size and composition review or succession planning, the Nomination and Remuneration Committee considers the skills required to compliment the existing Board skills and expertise. From this, a short list of candidates is prepared, from already identified individuals and/or independent search consultants.

2.19 The Board appoints the most suitable candidate who must stand for election or re-election at the next annual general meeting.

2.20 The Nomination and Remuneration Committee is also responsible for making recommendations whether or not Directors, whose term of office is expiring, should be proposed for re-election at the Company's next annual general meeting.

2.21 In accordance with the Company's Constitution, at each annual general meeting, one third of the Directors who are not the Managing Director must retire from office and if any Director has held office for more than three years since last being elected or appointed, are eligible for re-election at the annual general meeting.

2.22 Directors nominating for re-election at the next annual general meeting, provide sufficient details to allow shareholders to make an informed decision on their election.

Commitment

2.23 The commitments of non-executive Directors are considered prior to a Director's appointment to the Board and are reviewed each year as part of the annual performance assessment.

2.24 Prior to appointment or being submitted for re-election, each non-executive Director is required to specifically acknowledge that they have and will continue to have the time available to discharge their responsibilities to the Company.

2.25 Commitment is required in relation to preparation and attendance at scheduled Board meetings, strategy workshops and non-scheduled meetings called to address specific matters needing urgent attention.

Induction and education

2.26 Each new Director appointed undergoes a formal induction that provides them with information to enable them to actively participate in Board decision making as soon as possible, including information on the Company's operation and Board and management roles, responsibilities and interactions.

2.27 The Board encourages Directors to continue their education and maintain the skills required to discharge their duties by providing access to continuing professional development opportunities, to update and enhance their skills and knowledge.

2.28 The Company meets all reasonable costs of continuing Director education.

Review of Board performance

2.29 In accordance with the Board Charter the Board undertakes an annual Board evaluation.

2.30 The review involves consideration of the Board's performance against the Board charter, and sets forth goals and objectives for the Board for the upcoming year.

2.31 The Nomination and Remuneration Committee oversees the evaluation and performance of the Board and each Director, including an assessment of whether each Director has devoted sufficient time to his or her duties.

2.32 The Board considers that each Director devoted sufficient time and commitment to fulfil their responsibilities throughout the year.

Board Committees

2.33 To assist in undertaking its duties, the Board has established the following committees:

a) Audit Committee

b) Risk Committee

c) Nomination and Remuneration Committee

2.34 Charters specify the responsibilities, composition, membership requirements, reporting processes and the manner in which the Committees are to operate. These Charters are reviewed on an annual basis. All matters determined by Committees are submitted to the Board as recommendations for Board decisions.

2.35 Details of Directors' membership of each Committee and their attendance at meetings are set out in the Directors' report.

3 Promote ethical and responsible decision making

Code of conduct

3.1 The Company's commitment to maintaining ethical standards in its business activities is demonstrated in its values and its' Code of Conduct that embraces these values. The Code of Conduct, which applies to all Directors and employees of the Company, describes the standards of behaviour expected by the Company.

3.2 In summary, the Code of Conduct requires that all Directors and employees perform their duties professionally, in compliance with laws and regulations, and act with the utmost integrity and objectivity, striving at all times to enhance the reputation and performance of the Company.

3.3 Employees are actively encouraged to report any breaches of the Code of Conduct or other policies and procedures in place. The Company has a Whistleblower Policy in place in support of this.

3.4 A copy of the Code of Conduct is available on the Company's website.

Diversity and inclusion policy

3.5 The Company values and is proud of its strong and diverse workforce and is committed to supporting and further developing this diversity. The Company has developed a Diversity Policy that supports a workforce comprised of numerous ethnic backgrounds and genders, by ensuring diversification of talents, skills and values exist at all levels of the organisation.

3.6 Wherever possible, the Company seeks to preserve the local management and operations teams across all the areas and regions in which it operates and it actively encourages employees to integrate with team members in other parts of the organisation, through the sharing of technical and operational experiences and information.

3.7 At 30 June 2018, female employees represented approximately 9.1% (2017: 7.4%) of the total workforce. A significant proportion of the Company's wider operations centre around medium to heavy engineering activities in workshop environments that require trade qualifications such as boiler making, welding and fabrication. Participating rates of women in these trades are low. The Company's policy is to provide opportunities for women wherever possible through internal promotion and external recruitment across all levels.

3.8 The Board set measurable objectives are set out below:

Objectives	Initiatives to facilitate achievement of the objective	Status of the objective at 30 June 2018	Status of the objective at 30 June 2017
Maintain current level of participation of women in operations (employees excluding those in finance and administration)	Equal employment treatment is to be given without regard to gender.	3.8%	3.8%
At least maintain current level of participation by women in corporate services (employees in finance and administration)	Equal employment treatment is to be given without regard to gender.	47.3%	43.4%
Increase the number of women on the Board by 2020	Equal employment treatment is to be given without regard to gender.	Nil	Nil

3.9 A copy of the Diversity Policy is available on the Company's website.

4 Safeguard integrity in financial reporting

Audit Committee

4.1 The Audit Committee has been established to assist the Board to focus on issues relevant to the integrity of the Company's financial reporting.

4.2 The Committee operates in accordance with a Charter that is available on the Company's website.

4.3 Its main responsibilities include:

a) reviewing, assessing and recommending the Board approve the annual and half-year financial reports and all other financial information published by the Company or released to the market

b) monitoring the adequacy and effectiveness of the Company's internal control framework including administrative, operating, accounting and financial controls to produce reliable financial reporting information and compliance with legal and regulatory obligations

c) making recommendations to the Board on the appointment, reappointment or replacement and remuneration of the external auditors, their terms of engagement and scope of audits

d) determining whether or not a formal internal audit function should be in place and recommending the approval of the appointment (and if appropriate, the removal) of the internal auditor

4.4 In carrying out its responsibilities, the Committee is authorised to:

a) have access to, and meet with, auditors (external and internal), employees of the Company and any external advisors without management of the Company being present

b) seek any information it requires from an employee (and all employees are directed to co-operate with any request made by the Committee) or external parties

4.5 Consistent with its Charter, the Audit Committee is currently comprised of three non-executive Directors, is chaired by an independent Chairperson who is not Chair of the Board and all members are independent Directors. All members of the Committee are financially literate and have an appropriate understanding of the industry in which the Company operates.

4.6 The background details of the Audit Committee members and attendance at Committee meetings are set out in the Directors' Report.

External Auditors

4.7 The Audit Committee reviews the effectiveness of the external auditors and makes assessment in relation to their continued independence at least annually.

4.8 BDO Audit Pty Limited, is the Company's external auditor. It is BDO's policy to rotate audit engagement partners on listed companies every five years, and as a result this occurred during the year ending 30 June 2018.

4.9 An analysis of fees paid to the external auditors, including fees for non-audit services, is provided in the notes to the financial statements. It is the policy of BDO to provide an annual declaration of its independence to the Audit Committee.

4.10 The external auditor will attend the annual general meeting and be available to answer shareholder questions about the conduct of the audit and preparation and content of the audit report.

Declaration by Management

4.11 The Managing Director and Chief Financial Officer provide formal assurance to the Board that the Company's financial statements present a true and fair view of the Company's financial condition and operational results.

5 Make timely and balanced disclosure

Continuous disclosure and shareholder communications

5.1 The Company has policies and procedures in place in relation to continuous disclosure and shareholder communications. These outline the Company's commitment to providing all shareholders and investors with equal access to the Company's information and disclosing all information that a reasonable person would expect to have a material effect on the share price to the ASX, in accordance with the continuous disclosure requirements of the Corporations Act 2001 and ASX Listing Rules. A copy of the External Communications Policy is available on the Company's website.

5.2 The Company Secretary has primary responsibility for all communications with the ASX, overseeing and co-ordinating all information disclosed to the ASX, shareholders and other relevant parties. All information released to the ASX is posted on the Company's website.

5.3 All employees have a responsibility to report any potentially price or value sensitive information to the Company Secretary, who is then responsible for ensuring this information is advised to the Directors.

5.4 The Company has assigned Authorised Spokespersons for the Company, to ensure all public communications are within the bounds of the information that is already in the public domain, and/or is not material.

6 Respect the rights of shareholders

6.1 The Company is committed to effective communication with its stakeholders and seeks to ensure that all stakeholders, market participants and the wider community are informed of its activities and performance. This commitment and supporting policies are set out in the Company's External Communications Policy that is available on the Company's website.

6.2 Information is communicated to shareholders through the Company's website, annual report, ASX announcements, media releases and other means where appropriate. The Board has determined the Company website is the primary source of information for shareholders.

6.3 The Company encourages attendance at, and participation in, general meetings.

6.4 The Company also periodically conducts investor briefings to its institutional investors, brokers and analysts.

7 Recognise and manage risk

7.1 Risk management is viewed by the Company as integral to its objective of creating and maintaining shareholder value and is the responsibility of Directors and employees.

7.2 The Board is responsible for satisfying itself annually, or more frequently as required, that management has developed and implemented a sound system of risk management and internal control. The Board has delegated to the Risk Committee, responsibility for the detailed work involved in the oversight role.

7.3 The Risk Committee operates in accordance with the Charter that is available on the Company's website.

7.4 Its main responsibilities include:

a) overseeing the implementation and effective operation of the Company's risk management system by management

b) monitoring and reviewing management's performance in establishing systems to provide for safe operations and for safety management in all the Company's workplaces

c) develop and assess, in conjunction with management and the Board, the Company's overall risk appetite, tolerance and strategy

d) review the Company's occupational health and safety program and performance, ensuring there are sufficient resources, authority and access to information available

e) review and approve insurance arrangements for the Company

7.5 The Company's Enterprise Risk Management Standard and Occupational Health and Safety Management Standard are reviewed annually.

7.6 Key risk and business risk registers, are maintained and regularly reviewed by management.

7.7 Management reports to the Board as to the effectiveness of the Company's management of its material risks on a regular basis.

7.8 Consistent with its Charter, the Risk Committee is currently comprised of three non-executive Directors, is chaired by an independent Chairperson who is not Chair of the Board, and all members are independent Directors.

7.9 The background details of the Risk Committee members and attendance at Committee meetings are set out in the Directors' Report.

Internal audit

7.10 The Company does not have an internal audit function. Given the Company's current size and nature of its operations, the Board considers it appropriate to engage external advisors (independent of the external auditor) as appropriate from time to time, to undertake various tasks that an internal audit function would perform.

7.11 The Company did not engage an external auditor during the period to undertake any internal audit activities. The Company's Enterprise Risk Manager with previous internal audit experience, completes specific internal audit tasks as required.

7.12 The Board receives a written assurance from the Managing Director and Chief Financial Officer, that to the best of their knowledge and belief, the declaration provided by them in accordance with section 295A of the Corporations Act 2001 is founded on a sound system of risk management and internal control, and that system is operating effectively in relation to financial reporting risks.

Risk profile

7.13 The Company designs and manufactures customised dump truck bodies, buckets and ancillary products used in the mining industry. These activities expose the Company, directly and indirectly to environmental, social and economic sustainability risks, that may materially impact the Company's ability to create or preserve value for shareholders over the short, medium and long term.

8 Remunerate fairly and responsibly

8.1 The Nomination and Remuneration Committee has been established to assist the Board and operates in accordance with a Charter that is available on the Company's website.

8.2 Its main responsibilities, with respect to remuneration, include:

a) reviewing and making recommendations to the Board with respect to the Company's remuneration principles, framework and policy for senior managers and Directors

b) providing advice in relation to remuneration packages of senior managers, non-executive Directors and executive Directors

c) reviewing and making recommendations to the Board with respect to Company incentive schemes, including the implementation of equity-based incentive plans, bonus plans and other employee benefit programs

d) reviewing the Company's recruitment, retention and termination policies

e) reviewing management succession planning and report to the Board in respect of succession planning within the Company

8.3 In carrying out its responsibilities, the Nomination and Remuneration Committee is authorised to obtain outside professional advice as it determines necessary.

8.4 Consistent with its Charter, the Nomination and Remuneration Committee is chaired by an independent Chairperson and all members are independent Directors.

8.5 The background details of the Nomination and Remuneration Committee members and attendance at Committee meetings are set out in the Directors' Report.

8.6 Information on Directors' and executives' remuneration, including principles used to determine remuneration, are set out in the Director's Report and Remuneration Report.